

CALIFORNIA MEDICAL ASSISTANCE COMMISSION

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**CALIFORNIA MEDICAL ASSISTANCE COMMISSION**

State Capitol, Room 2040
Sacramento, CA

Minutes of Meeting
January 24, 2008

COMMISSIONERS PRESENT

Cathie Bennett Warner
Michele Burton, M.P.H.
Wilma Chan
Vicki Marti
Nancy McFadden
John Longville

CMAC STAFF PRESENT

J. Keith Berger
Paul Cerles
Denise DeTrano
Holland Golec
Mark Klobberdanz
Katie Knudson
Genaro Rodriguez
Becky Swol
Mike Tagupa
Mervin Tamai
Karen Thalhammer

COMMISSIONERS ABSENT**EX-OFFICIO MEMBERS PRESENT**

Toby Douglas, Department of Health Care Services
John Fitzpatrick II, Department of Finance

EX-OFFICIO MEMBERS ABSENT**I. Call to Order**

The January 24, 2008 open session meeting of the California Medical Assistance Commission (CMAC) was called to order by Chair Cathie Bennett Warner. A quorum was present.

II. Approval of Minutes

The January 10, 2008 meeting minutes were approved as prepared by CMAC staff.

III. Executive Director's Report

Keith Berger, Executive Director, began his report by wishing everyone a Happy New Year since he didn't get a chance to express that sentiment at the previous meeting. He apologized for missing the last meeting due to illness. Mr. Berger thanked the Deputy Director and Supervising Negotiator, Paul Cerles, and the rest of the CMAC staff for stepping up and handling the meeting in his unexpected absence.

Mr. Berger informed the Commissioners that the Governor's Budget was issued after the last Commission meeting. He noted that staff provided the Commissioners with selected pages from the Governor's Budget Summary as background information. As Mr. Cerles mentioned at the last meeting, CMAC had asked the Department of Finance (DOF) to provide a brief overview of key elements of the proposed Medi-Cal budget for the Commissioners today. Mr. Berger said that he appreciated their willingness to do so. He indicated that John Fitzpatrick from DOF would walk CMAC through some of the budget today.

Mr. Berger also noted that there were three contracts and amendments before the Commissioners for review and action in today's closed session, as well as a number of key updates and discussions regarding current hospital and managed care rate and supplemental fund negotiations and general negotiation strategies.

IV. Department of Finance (DOF) Report

John Fitzpatrick, DOF, initiated his brief overview of the 2007-08 Revised Expenditure Projection. He informed CMAC that Medi-Cal expenditures are now estimated to be \$37 billion (\$14.1 billion General Fund), which is \$206.5 million General Fund less than the Budget Act of 2007, due primarily to the proposal to delay fee-for-service provider payments for an additional week at the end of the fiscal year.

Mr. Fitzpatrick explained that the Governor's Budget for 2008-09 includes \$36 billion total for Medi-Cal (\$13.6 billion General Fund), a decrease of \$962.3 million (\$472.1 million General Fund) from the revised 2007-08 budget.

The average monthly caseload, Mr. Fitzpatrick indicated, is forecast to be 6.6 million people in 2008-09, a decrease of approximately 73,900 people, or 1.1 percent, compared to 2007-08. This overall decrease compares to an expected 1.2 percent increase in the State's population for the same period and is due primarily to the proposed implementation of quarterly status reports for children and parents.

Mr. Fitzpatrick also commented on the across-the-board 10 percent reduction proposals and how they were developed. An estimated reduction of \$1.3 billion is anticipated for the Medi-Cal program.

Some of the specific Medi-Cal reduction proposals include:

- Reducing rates for Medi-Cal providers and managed care plans by 10 percent.
- Shifting Safety Net Care Pool payments from designated public hospitals to four programs eligible for these funds, allowing for a corresponding General Fund reduction in those programs.
- Reducing reimbursement rates for non-contract hospitals by 10 percent.
- Reducing Disproportionate Share Hospital (DSH) replacement payments for private hospitals by 10 percent.
- Eliminating certain optional benefits.

Mr. Fitzpatrick noted that in order to address the State's cash shortage issues in late summer, another proposal delays (from August 2008 to September 2008) \$454 million in payments to Medi-Cal institutional fee-for-service providers and \$232 million in payments to Medi-Cal Managed Care plans. This does not impact expenditure levels.

V. Department of Health Care Services (DHCS) Report

Toby Douglas, DHCS, informed CMAC that this budget has a tremendous impact on DHCS and its programs. He noted that DHSC tried to cut costs evenly across three key areas of Medi-Cal, which are provider rates, benefits that are offered to beneficiaries and eligibility, who is the population that is served. Primarily, though the reductions are focused on provider rates and covered benefits. There are changes to the income eligibility criteria, although there are some administrative changes in the eligibility process.

Mr. Douglas explained that DHCS is proposing to reduce non-contract hospitals' payments by 10 percent, which will impact hospitals in rural areas and in urban areas those hospitals that are low Medi-Cal providers.

Another program that will be affected by these cost changes is the DSH program. Mr. Douglas noted that DHCS has shifted all federal DSH funding to public hospitals and then took in additional Medicaid dollars including a State match that were used as "virtual DSH" for private hospitals and nondesignated public hospitals. Mr. Douglas stated the proposal is that the normal allocations will be reduced by 10 percent for the private hospitals and nondesignated public hospitals.

Regarding the Safety Net Care Pool funding, \$766 million through the hospital financing waiver and federal funding is used for uncompensated care for public hospitals as well as for the Coverage Initiative and as a way to reduce state funding for state-only health care programs. These programs include the California Children's Services Program (CCS), Genetically Handicapped Persons Program (GHPP), Breast and Cervical Cancer Treatment Program (BCCTP) as well as long-term care programs for medically indigent adults.

Mr. Douglas informed CMAC that DHCS is proposing to reduce the amount of safety net care funding for designated public hospital payments by 10 percent and revert it to state-only programs to help reduce the general fund. Mr. Douglas noted that the Legislature has until March 1, 2008 to act on these proposed changes in order to achieve a full year's savings in the budget year.

In response to a question asked by Chair Bennett Warner, Mr. Douglas informed the Commissioners that the Senate President Pro Tem has delayed a vote in the Senate Health Committee on the Governor's health care reform proposal until January 28, 2008.

Mr. Douglas expressed that even with these budget reductions, the State should not overlook the Administration's goal of finding a long term solution for restructuring the health care system with a sustainable revenue source which is outside the general fund.

In response to a question by Commissioner Chan, Mr. Douglas understood that proposed reductions will affect several programs administered by the Counties, including CCS and the Child Health and Disability Prevention Program (CHDP). Mr. Douglas noted that DHCS is planning to reduce allocations for the administration of case management by county public health departments by 10 percent. Counties can reduce their staffing to make up the difference or fund the differences on their own using local county dollars to certify and draw down federal funds.

VI. New Business/Public Comments/Adjournment

There being no further new business and no comments from the public, Chair Bennett Warner recessed the open session. Chair Bennett Warner opened the closed session, and after closed session items were addressed, adjourned the closed session, at which time the Commission reconvened in open session. Chair Bennett Warner announced that the Commission had taken action on hospital and managed care contracts and amendments in closed session. The open session was then adjourned.